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SECURITY INFORMATION

18 September 1952

US OFFICIALS ONLY

CIA No. 49804
Copy No.

38

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SOVIET UNION

1. Kennan comments on Sino-Soviet communique: The Sino-Soviet communique reveals, in the opinion of Ambassador Kennan, that the Chinese Communists have been compelled not only to accept but actually to request an indefinite continuation of the USSR's presence in Port Arthur in order to obtain some satisfaction of their military needs from the USSR.

Kennan speculates that while the communique did not mention the Korean war, "sinister" military decisions may have been made. He notes no evidence, however, that the Soviet Union is preparing for major military operations and comments that the Soviet reply avoided a hint in the Chinese note that the Far Eastern situation might call for the implementation of the Sino-Soviet Treaty. (S S/S Moscow 502, 16 Sept 52)

SOUTHEAST ASIA

2. Chinese Communist troops withdraw from Indochina: All Chinese Communist troops in northwest Tonkin have now withdrawn to China, with the possible exception of a few advisers attached to the Viet Minh regiment in that area, [REDACTED]

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[REDACTED] FOR CRITICAL SECURITY REASONS this report must not be further transmitted within the United States or beyond the borders of the United States without the express permission of the releasing office.)

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Comment: Between 5000 and 6000 Chinese troops entered northwest Tonkin several months ago, presumably to assist the Viet Minh in local operations against French-led border tribesmen. In early September [REDACTED] all but one battalion were expected to withdraw by the middle of the month.

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NEAR EAST - AFRICA

3. Mossadeq and Shah attempt to counteract suspected coup:
Iranian Minister of Court Ala told Ambassador Henderson on 14 September that the Shah and Mossadeq were planning to counter a suspected British-inspired coup. General Ariani, commander of the First Division, General Zahedi and other high-ranking officers were believed to be involved. Ala apparently fears that Kashani may also be in the conspiracy. (TS S/S Tehran 1136, 15 Sept 52)

Comment: There have been persistent indications that the conservatives, the army, members of the royal household, and Kashani were plotting to remove Mossadeq. [REDACTED]

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The possibility that such a coup would succeed has been lessened by the removal of General Ariani on 17 September.

4. Mossadeq presents new proposals for settling oil dispute:
On 13 September Mossadeq presented new proposals for settling the oil question to the British Charge in Tehran through the Italian Ambassador. They stipulated that the court of arbitration's judgment of the controversies, which arose between Anglo-Iranian and Iran prior to oil nationalization, should be considered in the light of the 1933 agreement and its 1947 supplement. Problems which have arisen since nationalization, however, must be judged according to the nationalization laws of any country which AIOC desires.

As soon as the court agrees to hear the case, Anglo-Iranian must give Iran a 49 million pounds sterling advance on compensation. Should the court decide in favor of AIOC, Iran would return this sum. Selection of the court will be based on a previous agreement. [REDACTED] FOR
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Comment: On 16 September Mossadeq repeated this offer to parliament and received a vote of confidence from both houses.

The proposals suggest that Iran's urgent financial need

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has forced Mossadeq to continue negotiations. They do not, however, represent an appreciable advance toward settling the dispute, despite the concessions implied in his willingness to recognize the validity of the 1933 agreement prior to nationalization and to permit the World Court to settle details of the dispute which have arisen since then.

Mossadeq has in the past become difficult each time an agreement appeared imminent, and he may therefore change his proposals as the negotiations progress. It is also difficult to see how he could successfully claim the compensation Iran desires, unless he recognizes the validity of the 1933 agreement and its 1947 supplement.

The Anglo-Iranian Oil Company has been obdurate in past negotiations and does not appear likely to deliver the 49 million pounds without receiving an agreement setting forth the terms in detail.

EASTERN EUROPE

5. Tito considering postponement of Yugoslav Communist Party Congress: In a 12 September conversation with Ambassador Allen, Marshal Tito mentioned the possibility of postponing the Yugoslav Communist Party Congress, now scheduled for 19 October. Ambassador Allen believes that top Yugoslav Communist leaders are concerned over allegations that Yugoslavia is still following the lead of the Soviet party and would like time to review the situation after the Moscow congress adjourns. Allen believes that a postponement is unlikely in view of the extensive preparations made since the congress was announced on 28 May.

Ambassador Allen has recently found Marshal Tito under an obvious strain and smarting from Western criticism, both official and unofficial. (S S/S Belgrade 371 and 372, 16 Sept 52)

Comment: Recently there have been many indications that Tito finds himself in a difficult situation. He wishes to picture Yugoslavia in a light more favorable to the West, but he has encountered difficulties with his government and Communist officials, and rank and file in carrying out his decentralization program. The strains of this situation may also make Tito a more difficult person with whom to negotiate.

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WESTERN EUROPE

6. East German labor service develops along strongly semi-military lines: Current developments in East Germany's "volunteer" youth labor service, Dienst fuer Deutschland (DD), continue to emphasize the military aspects of the organization, with some evidence of Soviet restraint upon exclusive orientation in this direction.

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[redacted] the first brigade of the DD already has 2,000 members with more arriving daily in camps on Ruegen Island and at Eggesin in the Baltic area. Although rank designations within the organization are military in character, plans for a military-type uniform were allegedly vetoed by the Soviet Control Commission. American officials in Frankfurt believe that the Russians may also oppose plans for equipping the officers with pistols.

The DD members on Ruegen are believed scheduled for employment on projects there, but no likely projects for those stationed at Eggesin are known. The East German press has reported that the DD will construct barracks for its own use and work on the north Berlin railroad by-pass. A four-hour work day with the remaining time to be devoted to political training and to "sports" directed by the Association for Sport and Technique is said to be contemplated; this would further emphasize the DD's military objectives. [redacted]

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